



Commercial Review Summary - ACC RAAC Options Appraisal				60 Years				3rd Party Cost (Including LBTT, Legal, etc.)			Construction Costs			Total Cost (3rd Party Cost + Construction Cost)		
Ref.	Option	Basis	NPV @ 5% Score - 100%	NPV @ 3.5%	NPV @ 5.0%	Nr Units (Existing)	Nr Units (New Build)	Total	Per Unit (Existing)	Per Unit (New Build)	Total	Per Unit (Existing)	Per Unit (New Build)	Total	Per Unit (Existing)	Per Unit (New Build)
4	Option 3b	Removal of RAAC Panels and replace roof and EESSH2 works	100	£-251,058,573	£-173,176,995	366	367	£0	£0	£0	£60,653,400	£165,720	£165,268	£60,653,400	£165,720	£165,268
5	Option 4a	Demolition Only	N/A	£-97,147,832	£-75,927,391	504	367	£10,764,000	£21,357	£29,330	£8,738,976	£17,339	£23,812	£19,502,976	£38,696	£53,142
6	Option 4b	Demolition and build new homes	85	£-240,066,092	£-199,189,764	504	367	£10,764,000	£21,357	£29,330	£130,566,700	£259,061	£355,768	£141,330,700	£280,418	£385,097

Notes:

- Options as per descriptions above
- Currently no variance in Capital Replacement, Management Costs or Maintenance Costs between options (no alteration on the current lifecycle basis)
- RPI assumed as 1.5%, current RPI is 3.8%
- Void rate of 2.5% allowed currently
- Bad debt rate of 5% allowed currently
- Rent yearly increase based on RPI plus 1.5% (3% per annum overall)
- Capital Grant of £78k per unit allowed currently (only applicable to Option 4b new build units)
- Capital Grant receipt allowed for in line with phased handover of units
- Management costs based on per unit basis
- Management costs yearly increase based on RPI
- Management costs commence in line with phased handover of units
- Maintenance costs commence 1 year post phased handover of units to allow for Making Good Defects Period
- Maintenance costs yearly increase based on RPI
- Maintenance costs are based on lifecycle cost allowances along with standard planned and statutory maintenance requirements
- Residual value based on an allowance of £10k per unit including RPI allowance and included as income at end of 60yr lifecycle
- As residual value has been utilised there is no final maintenance allowed post year 60
- Options 1, 2 and 3a have been discounted within the main body of the report. Financial models have been undertaken on these but do not form part of the final review above
- Option 4a does not have an NPV score allowance given that there is no income generated for this option
- Scoring applied to NPV with lowest NPV utilising 5% discount rate over 60 years obtaining full marks
- Scoring is based on 100 marks awarded to the lowest NPV with a pro rata score awarded based on difference between NPV at 5% over 60 years
- Refer to AtkinsRéalis' Feasibility Report for the basis of Construction Cost allowances
- Management Cost based on managing housing units only with no allowance for managing any commercial units
- Any management costs for amenity spaces are excluded within this model
- Loss of rent allowance has been included where units are not occupied in each model
- Option 3b allows for full demolition and rebuild of units at year 30 of the 60 year review including adjustments for loss of rent, full debt charge etc. The cost of this does not form part of the initial construction cost allowance
- Options 4a and 4b include the following allowances for third party costs:
 - Cost to purchase private units - allowance of £60k average cost per unit to cover cost of purchase (assuming adjustment for RAAC) and cost for loss of home payments
 - 5% allowance on cost to purchase total to cover Land and Building Transaction Tax costs
 - £5k per unit legal fees allowance
 - £10k per unit disturbance costs allowance
- Both 3b and 4b allow for 367nr units to be rebuilt - this is based on utilising existing plot layouts and size availability for new build 3 and 4 bedroom houses
- Each model contains debt charge allowance based on the following:
 - 2024-25 4.35% (Estimated)
 - 2025-26 3.82% (Estimated)
 - 2026-27 3.77% (Estimated)
 - 2027-28 3.78% (Estimated)
 - 2028-29 3.84% (Estimated)
 - Then from 2029-30 onwards 3.84%